

COUNTY OF RAVALLI



September 5, 2007

Senator James G. Shockley
P.O. Box 608
Victor, MT 59875

Dear Senator Shockley:

Under current Montana law, government entities are not allowed to create a reserve for severance paid to terminating and retiring employees. For every permanent employee, Ravalli County accrues vacation pay as well as sick pay. If an employee terminates or retires, we are required to pay 100% of accrued vacation and 25% of accrued sick time. When we have a long-term employee terminate or retire, the payout on severance can run into the thousands of dollars.

We are required to accrue the liability for severance (compensated absences) in our annual audit report. For the fiscal year ended June 30, 2006, this amount was \$523,486. If Montana law allowed government entities to set aside a percentage of this compensated absences liability, it would help government entities in years when there are large payouts to terminating and retiring employees. Thank you for your attention to this matter.

Sincerely,

Greg Chilcott
County Commissioner